

What is the PSO Levy?

The Public Service Obligation Levy, or PSO Levy, is collected from all electricity customers in Ireland through their energy bills.

It covers various subsidy schemes designed by the Irish Government to support its national policy objectives related to renewable energy and indigenous fuels for Ireland.

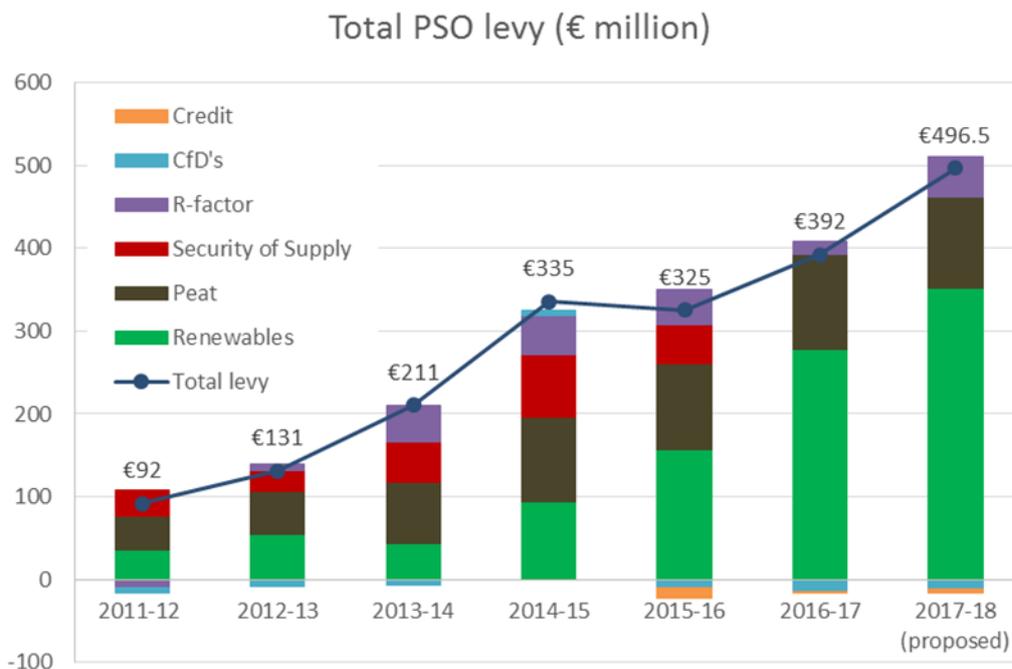
The proceeds of the levy are used to contribute to the additional costs incurred by PSO-supported electricity generation which are not recovered in the electricity market, typically via contracts that suppliers have in place with electricity generators.

The CER's role is to calculate the PSO levy in accordance with Government policy and to help ensure that the scheme is administered appropriately and efficiently.

What is the proposed Levy for period 2017/18?

The proposed PSO Levy for the period 1st October 2017 to 30th September 2017 is €496.5 million. This proposed figure is approximately €104.1 million (27%) more than the PSO Levy for the previous period.

A number of drivers are contributing to the increase in the 2017/18 PSO levy, principally increased renewable generation and the 2015/16 R-factor. Other drivers, including an increase in the benchmark price, are exerting downward pressure.



There are a number of factors which are putting both upward and downward pressure on the PSO levy for 2016/17 as follows:

Upward Levy Pressure

- **Increase in Renewables:** The main driver behind the increase in the levy is an increase in the level of renewable capacity, with the cost of renewables increasing by €73 million relative to the 2016/17 levy. This constitutes 19% of the total 27% increase in the levy.
- **R- Factor:** This is a correction for a previous PSO period, in this case the 2015/16 period. The correction is based on comparing actual data for the period to the estimates used to calculate the Levy. The R-factor has increased by €35 million relative to the 2016/17 R-factor.
- **Lower Capacity Payments:** Overall, the 2017/18 capacity payment rates of €5.40/MWh for dispatchable generators and €3.87/MWh for intermittent generators have decreased the forecast capacity payment revenue relative to 2016/17, which increases the levy by approximately €11 million.

Downward Levy Pressure

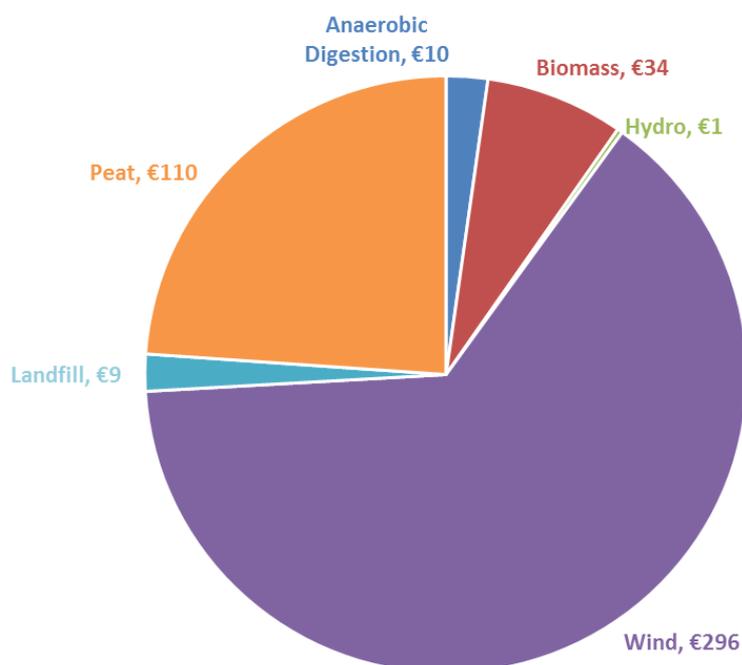
- **Contracts for Difference (CfDs):** Wholesale market contracts related to the PSO are reducing the levy by €11.2 million. This reflects a wholesale market price for 2015/16 which on average was lower than the contract price for the period overall.
- **Higher Benchmark Price:** The forecast benchmark price of €44.50/MWh is higher than the benchmark price of €43.26/MWh used in calculating the 2016/17 PSO levy. This acts to reduce the overall levy by approximately €14 million relative to 2016/17. This is because the higher forecast market revenue decreases the amount required from the PSO levy to compensate suppliers up to the guaranteed rates that they are obliged to pay to PSO supported generators.

Breakdown of Proposed 2017/18 PSO Levy

Component	Generation capacity supported (MW)	Forecast cost 2017/18 (€ million)	R-factor 2015/16 (€ million)	Total PSO support 2017/18 (€ million)
Renewables	3334	350.9	42.5	393.5
Peat	250	110.2	14.5	124.7
Security of Supply	—	—	-7.3	-7.3
PSO CfDs	—	—	—	-11.2
Admin	—	—	—	1.3
Credit from 2016/17	—	—	—	-4.5
Total	3584	461.1	49.7	496.5

PSO Levy by Technology – what generation types are being supported?

The below chart indicates the cost allocation, in millions, by each technology and method of generation that is being supported by the 2017/18 PSO Levy (this excludes the R-Factor).



What will an increase like this mean for customer bills?

Based on a PSO levy of €496.5 million, the CER has calculated the payment that each customer will be charged on their energy bills.

The 2016/17 Levy equates to an increase of €2.37 per month for domestic customers and €8.06 per month for small commercial customers.

The full breakdown of costs per customer, depending on what category they occupy for the levy period 1st of October 2017 to the 30th September 2018, are as follows:

PSO Customer Category	Monthly Levy Amount (2016/17)	Monthly Levy Amount (2017/18)	% Increase year on year
Domestic	€5.90 / customer	€8.27 / customer	40%
Small commercial (MIC < 30 kVA)	€20.73 / customer	€28.79 / customer	39%
Medium/Large commercial (MIC ≥ 30 kVA)	€3.33 / kVA	€3.74 / customer	12%